

State of Iowa - Return on Investment Program / IT Project Evaluation**SECTION 1: PROPOSAL**

Tracking Number (For Project Office Use)

Project Name: Health Information Portability Accountability Act (HIPAA)Date: July 14, 2000Agency Point of Contact for Project: Mary Tavegia, Division of Medical Services, Department of Human Services (DHS)Agency Point of Contact Phone Number / E-mail: 281-7265 mtavegi@dhs.state.ia.us

Executive Sponsor (Agency Director or Designee) Signature: _____

Is this project necessary for compliance with a Federal standard, initiative, or statute? (If "Yes," cite specific requirement, attach copy of requirement, and explain in Proposal Summary) ☒ Yes ☐ No

Is this project required by State statute? (If "Yes," explain in Proposal Summary) ☒ Yes ☐ No

Does this project meet a health, safety or security requirement? (If "Yes," explain in Proposal Summary) ☒ Yes ☐ No

Is this project necessary for compliance with an enterprise technology standard? (If "Yes," explain in Proposal Summary) ☐ Yes ☒ No

Does this project contribute to meeting a strategic goal of government? (If "Yes," explain in Proposal Summary) ☒ Yes ☐ No

Is this a "research and development" project? (If "Yes," explain in Proposal Summary) ☐ Yes ☒ No

PROPOSAL SUMMARY:

In written detail, explain why the project is being undertaken and the results that are expected. This includes, but is not limited to, the following:

- A pre-project (before implementation) and a post-project (after implementation) description of the system or process that will be impacted.**

Pre-Project description: President Clinton signed the Kassebaum-Kennedy Health Insurance Portability and Accountability Act (HIPAA) of 1996 into law on August 21, 1996. The intent of HIPAA is to improve the efficiency and effectiveness of the healthcare system by encouraging the development of health information systems that utilize Electronic Data Interchange (EDI) for the administrative and financial transactions specified. In addition, HIPAA requires the use of national transaction standards when performing these business transactions between organizations electronically. HIPAA provides additional requirements concerning privacy and

security. The organizations affected are all state agencies, who process Medicaid data, and providers (institutions and private organizations), who provide client data and billing. It further requires that all parties using these transactions for healthcare follow the guidelines established by national implementation guides. The HealthCare Finance Administration (HCFA) is administering HIPAA at the Federal level has just released the final federal regulations requiring the states to comply with HIPAA. An assessment of the impacts is currently being undertaken. This will affect all systems in the Department of Human Services that deal with eligibility and payments. The remediation of our systems will be accomplished with a 90% Federal match. Thus, this project requires the 10% state funds from the pooled technology funds to complete.

- B. **Post-Project description:** This request represents SFY 2002 funding to meet federal requirements for the Health Insurance Portability and Accountability Act of 1996 (HIPAA) requirements which will begin during SFY 2001 and be completed by the end of SFY 2002.
- Support project planning and project management required to implement federal requirements.
 - Support application remediation and system programming; increased tracking; and take advantage of improvements in technology.

Results that will be achieved with this funding include:

1. Complete and accurate federal data reporting.
 - New HIPAA requirements.
 - Failure to comply with HIPAA requirements can result in up to \$25,000 per person, annually in addition to civil penalties. See attachment A.

We are just starting to learn about HIPAA requirements, so some specifics are still unknown. HIPAA is a massive national undertaking that affects all health care payment sources, including but not limited to Medicaid. National procedure and diagnosis codes will be established, and even the claim form will be standardized nationwide. In order to comply we will need to change the codes we use to pay Medicaid claims. The new codes will require an extra space for information because the code is longer for provider numbers. This will also cause need for more electronic storage. New codes will have to be cross-referenced to old codes and a method of storing this cross-reference will have to be maintained. Security requirements are also very stringent, and the Department will have to come into compliance if our current procedures do not meet the new standards. There are penalties specifically related to failure to comply with security standards. Compliance with HIPAA will require significant re-programming of both, DHS and fiscal agent systems.

- Failure to make changes required in Medicaid can also result in loss of federal funding ranging from loss of Federal Financial Participation (FFP) of 63% - 75%, to loss of all Medicaid administrative funding.

A. A summary of the extent to which the project provides tangible and intangible benefits to either Iowa citizens or to State government. Included would be such items as qualifying for additional matching funds, improving the quality of life, reducing the government hassle factor, providing enhanced services, improving work processes, complying with enterprise technology standards, meeting a strategic goal, avoiding the loss of matching funds, avoiding program penalties/sanctions or interest charges, avoiding risks to health/security/safety, complying with federal or state laws, etc.

Justification for funding request:

- This funding supports and is necessary for the continued ongoing, long-term operation of our programs.
- Federal and state law changes and changing federal regulations require technology enhancements on an ongoing basis.
- Improving work processes will improve the quality and accuracy of services to consumers, thereby increasing customer satisfaction, and avoiding future federal error rate sanctions.
- State match is required to receive federal matching assistance in Medicaid programs.
- This funding supports the Department's goal to encourage stable, self-sufficient, healthy and safe families.

Fiscal consequences of not funding technology:

- State match is required to receive federal matching funds in the Medicaid programs. Every state dollar lost will result in loss of one or more federal dollar.
 - Failure to make changes required in Medicaid can result in loss of federal funding ranging from loss of FFP of 63% to loss of all Medicaid administrative funding.
 - Failure to comply with HIPAA requirements can result in loss of FFP of 90% and penalties up to \$25,000 per person annually in addition to civil penalties.

Other consequences of not funding technology:

- Consumers will not have the full protection for privacy issues.
- Line staff will not have the technology support to implement federal or state requirements. Staff will have to manually process, track and report data for federal purposes or to monitor the effect of new policies.
- The Department and policy makers will not have data to use for program administration and evaluation.

B. A summary that identifies the project stakeholders and how they are impacted by the project.

The project stakeholders are:

- External Customers
 - This technology will support programs that provide benefits and/or services annually to approximately 204,165 (average monthly) individuals who receive Medicaid.
 - Legislators and policy makers will have access to data needed to make decisions.
 - Fiscal Agent monitors and pays Medicaid claims to providers and for clients.

- Internal Customers
 - 700 Department of Human Services line staff using the systems daily as a basic function of their jobs.
 - Department of Human Service management staff making decisions based on the data.

SECTION 2: PROJECT PLAN

Individual project plans will vary depending upon the size and complexity of the project. A project plan includes the following information:

1. Agency Information

Project Executive Sponsor Responsibilities: Identify, in Section I, the executive who is the sponsor of the project. The sponsor must have the authority to ensure that adequate resources are available for the entire project, that there is commitment and support for the project, and that the organization will achieve successful project implementation.

Dennis Headlee, Administrator, Division of medical Services, Department of Human Services

Organization Skills: Identify the skills that are necessary for successful project implementation. Identify which of these skills are available within the agency and the source(s) and acquisition plan for the skills that are lacking.

Successful project implementation requires staff with skill sets in development and maintenance of mainframe and client server applications, technical writer and IT project management skills. State staff will be supplemented with contract staff to fulfill the needs of the department paid for by this funding. In addition, expertise regarding Medicaid policy is required; these skills are available within the Department.

2. Project Information

Mission, Goals, Objectives: The project plan should clearly demonstrate that the project has developed from an idea to a detailed plan of action. The project plan must link the project to an agency's mission, goals, and objectives and define project objectives and how they will be reached. The project plan should include the following:

- A. **Expectations:** A description of the purpose or reason that the effort is being undertaken and the results that are anticipated.

Technology is a significant support to the Department's goal to support stable, self-sufficient, healthy and safe families. Strategies and initiatives to support this goal include:

- Increased capability to exchange data as required.
- Improved capability to manage privacy and security issues concerning client information.

- Increased access to health care for low-income children.

More direct goals that will be met with this funding include:

- More efficient, effective implementation of changes so that customer satisfaction is enhanced.
- To improve program accuracy and avoid federal sanctions.
- To meet federal data reporting requirements.

Benefits that will be result from this funding include:

- Efficient, effective implementation of changes resulting in improved customer service.
- Improved program accuracy and avoidance of federal sanctions.
- Meet federal data reporting requirements.

B. **Measures**: A description of the set of beliefs, tradeoffs and philosophies that govern the results of the project and their attainment. How is the project to be judged or valued? What criteria will be used to determine if the project is successful? What happens if the project fails?

- Federal data reporting requirements will be met so that no federal sanctions are incurred.
- All Federal requirements will be met.
- Efficient work processes will be implemented and readily accessible data will be available.

- C. **Environment:** Who will provide input (e.g., businesses, other agencies, citizens) into the development of the solution? Are others creating similar or related projects? Are there cooperation opportunities?

The following will have input into the development of all projects:

- Department of Human Services policy staff.
- Department of Human Services data management staff.
- Department of Human Services line staff.
- Department of Human Service management staff.

- D. **Project Management and Risk Mitigation:** A description of how you plan to manage the project budget, project scope, vendors, contracts and business process change (if applicable). Describe how you plan to mitigate project risk.

Since this project will contain a variety of efforts, each will be reviewed through the IM Business Systems Planners meeting for priority, timeliness, staffing and any other areas of concern for project delivery. A senior level Sponsor team has been established to provide executive oversight to the project. Each component will be monitored through project control for the detail portions. Reviews will assess if the project is on schedule, if requirements have changed, and how we are progressing against the budget.

- E. **Security / Data Integrity / Data Accuracy / Information Privacy:** A description of the security requirements of the project? How will these requirements be integrated into the project and tested. What measures will be taken to insure data integrity, data accuracy and information privacy?

The data within these applications is considered confidential and bound by confidentiality/non-disclosure laws. Security is ensured at multiple levels and by multiple methods. RACF security and internal application security is used on the mainframe applications. For the Client Server applications, NT Authentication, SQL Authentication, and internal application security is used. All data elements are secured within their environment and data accuracy and integrity is ensured by application edits.

3. Current Technology Environment (Describe the following):

A. Software (Client Side / Server Side / Midrange / Mainframe)

- Application software.
- Operating system software.
- Interfaces to other systems: Identify important or major interfaces to internal and external systems.

Client Side –

Microsoft Products including, but not limited to: Visual Studio 6.0, MS Project 98, MS Office Suite Professional, MS Front Page 98, MS SQL 6.5 & 7.0, etc.

MicroFocus Products including, but not limited to: Net Express 3.0, Revolve, etc.

EDA Products including, but not limited to: EDA Client, EDA ODBC Extender, etc.

CA Products including, but not limited to: CA Server ODBC Drivers
 Visio 5.0 & 2000
 JavaScript
 VB Script
 PowerDesigner 6.0
 Paint Shop Pro 6.0
 Marshallsoft SEECB4

Server Side –

Microsoft Products including, but not limited to: MS SQL 6.5 & 7.0, MS Exchange, IIS, etc.
 EDA Products including, but not limited to: EDA Client, EDA ODBC Extender, etc.
 Active Server Pages
 REXEC Daemon
 FTP

Mainframe –

IBM Products including, but not limited to: TSO, CICS, PanValet, etc.
 CA Products including, but not limited to: IDMS, Culprit, etc.
 SyncSort
 VSAM
 COBOL

B. Hardware (Client Side / Server Side / Mid-range / Mainframe):

- Platform, operating system, storage and physical environmental requirements.
- Connectivity and Bandwidth: If applicable, describe logical and physical connectivity.
- Interfaces to other systems: Identify important or major interfaces to internal and external systems.

Developer Environment

| Make/Model | Quantity | CPU | Operating System |
|--------------------------|----------|-----|------------------|
| Compaq DeskPro | 9 | 200 | Windows 95 |
| Gateway 2000 | 5 | 200 | Windows 95 |
| Gateway E3000 | 4 | 200 | Windows 95 |
| Gateway E3200 | 3 | 350 | Windows 95 |
| Gateway E4200 | 10 | 350 | Windows 95 |
| Gateway E4200 | 5 | 500 | Windows 95 |
| NEC Powermate 8100 | 11 | 350 | Windows 95 |
| NEC Powermate Enterprise | 16 | 233 | Windows 95 |
| Gateway E-4200 | 10 | 700 | Windows 95 |

LAN Environment

| Quantity | CPU | RAM | Hard Disk Space | Operating System | Function/Description | Associated Software | Communication Requirements |
|----------|-----|-------|-----------------|------------------|----------------------|---------------------|----------------------------|
| 1 | 266 | 128MB | 13GB | Windows NT | File/Print Services | NT | T1 |
| 1 | 200 | 2GB | 20GB | Windows NT | SQL Server 6.5 | NT, SQL | 100MB |
| 1 | 200 | 1GB | 21GB | Windows NT | SQL Server 6.5 | NT, SQL | 100MB |
| 1 | 266 | 128MB | 13GB | Windows NT | File/Print Services | NT | T1 |

| Quantity | CPU | RAM | Hard Disk Space | Operating System | Function/Description | Associated Software | Communication Requirements |
|----------|-----|--------|-----------------|------------------|----------------------------------|----------------------------|----------------------------|
| 2 | 200 | 1GB | 25GB | Windows NT | File/Print Services | NT, FACS & Star | 100MB |
| 4 | 549 | 1GB | 27GB | Windows NT | SQL Server 7.0 Test & Production | NT, SQL | 100MB |
| 1 | 399 | 1GB | 44GB | Windows NT | SQL Server 7.0 Test & Production | NT, SQL | 100MB |
| 2 | 200 | 64MB | 8GB | Windows NT | Imaging | NT, Eastman Imaging | 100MB |
| 1 | 200 | 256MB | 12GB | Windows NT | Imaging | NT, Eastman Imaging | 100MB |
| 1 | 200 | 196MB | 12GB | Windows NT | WINS | NT | 100MB |
| 4 | 200 | 128MB | 12GB | Windows NT | Imaging | NT, Eastman Imaging | T1 |
| 1 | 200 | 128MB | 16GB | Windows NT | Intranet FACS | NT, FACS, IIS | 100MB |
| 1 | 200 | 128MB | 4GB | Windows NT | Imaging | NT, Eastman Imaging | T1 |
| 1 | 497 | 512MB | 50GB | Windows NT | Exchange Server | NT, Microsoft Exchange | 100MB |
| 1 | 266 | 512MB | 13GB | Windows NT | Network Monitoring Server | NT, HP Openview | 100MB |
| 1 | 266 | 32MB | 5GB | Windows NT | File/Print Services | NT | T1 |
| 1 | 266 | 256MB | 13GB | Windows NT | Technet, Network Adm, File | NT | 100MB |
| 2 | 266 | 128MB | 12GB | Windows NT | HelpDesk Software/SMS | NT, SupportMagic, SMS | 100MB |
| 143 | 266 | 128MB | 13GB | Windows NT | File/Print Services | NT | T1 |
| 2 | 333 | 128MB | 13GB | Windows NT | File/Print Services | NT | T1 |
| 1 | 333 | 128MB | 14GB | Windows NT | Middleware Server | NT, IBI | 100MB |
| 1 | 200 | 128MB | 14GB | Windows NT | Middleware Server | NT, IBI | 100MB |
| 1 | 266 | 128MB | 14GB | Windows NT | File/Print Services | NT | 100MB |
| 1 | 333 | 128MB | 25GB | Windows NT | Vipers | NT, Vipers | T1 |
| 1 | 399 | 104MB | 44GB | Windows NT | Middleware Server | NT, IBI | 100MB |
| 2 | 266 | 128MB | 13GB | Windows NT | File/Print Services | NT | T1 |
| 1 | 100 | 128MB | 7GB | Windows NT | Admin Images | NT, Norton Ghost | 100MB |
| 1 | 266 | 128MB | 13GB | Windows NT | HelpDesk Software | NT, SupportMagic | 100MB |
| 2 | 500 | 2GB | 19GB | Windows NT | Intranet Server | NT, IIS, Misc. Application | 100MB |
| 2 | 500 | 1GB | 17GB | Windows NT | Internet Server | NT, IIS, Misc. Application | 100MB |
| 7 | 500 | 128MB | 18GB | Windows NT | Exchange Server | NT, Microsoft Exchange | 100MB |
| 1 | 450 | 104MB | 26GB | Windows NT | Internet Test Server | NT, IIS, Misc. Application | 100MB |
| 1 | | | 104GB | | Disk Farm | NT Raid 5, LifeKeeper | 100MB |
| 1 | | | 104GB | | Disk Farm | NT Raid 5, LifeKeeper | 100MB |
| 1 | | | 156GB | | Disk Farm | NT Raid 5, LifeKeeper | 100MB |
| 1 | | | 360GB | | Disk Farm | NT Raid 5, LifeKeeper | 100MB |
| 1 | | | 68GB | | Disk Farm | NT Raid 5, LifeKeeper | 100MB |
| 1 | 500 | 1GB | 52GB | | Disk Farm | NT Raid 5, LifeKeeper | 100MB |
| 1 | 166 | 256meg | 8GB | | Disk Farm | NT Raid 5, LifeKeeper | 100MB |

Mainframe Environment

IDM 9672R45

OS390

JES3

4. Proposed Environment (Describe the following):

A. Software (Client Side / Server side / Mid-range / Mainframe)

- Application software.
- Operating system software.
- Interfaces to other systems: Identify important or major interfaces to internal and external systems.

- General parameters if specific parameters are unknown or to be determined.
 - Same as shown in 3 above (Current Technology).

B. Hardware (Client Side / Server Side / Mid-range / Mainframe)

- Platform, operating system, storage and physical environmental requirements.
- Connectivity and Bandwidth: If applicable, describe logical and physical connectivity.
- Interfaces to other systems: Identify important or major interfaces to internal and external systems.
- General parameters if specific parameters are unknown or to be determined.
 - Same as shown in 3 above (Current Technology).

Data Elements: If the project creates a new database the project plan should include the specific software involved and a general description of the data elements.

- No new databases being developed.

Project Schedule: A schedule that includes: time lines, resources, tasks, checkpoints, deliverables and responsible parties.

- Since this project will contain a variety of efforts, each will be reviewed through the IM Business Systems Planners meeting for priority, timeliness, staffing and any other areas of concern for project delivery. A senior level Sponsor team has been established to provide executive oversight to the project. Each component will be monitored through project control for the detail portions. Reviews will assess if the project is on schedule, if requirements have changed, and how we are progressing against the budget.

SECTION 3: Return On Investment (ROI) Financial Analysis**Project Budget: SFY 2002 \$ 51,513,800**

Provide the estimated project cost by expense category.

| | |
|----------------------------|--------------|
| Personnel | \$ 150,000 |
| Software | \$ 0 |
| Hardware..... | \$ 50,000 |
| Training | \$ |
| Facilities | \$ |
| Professional Services..... | \$51,313,800 |
| Supplies | \$ |
| Other (Specify)..... | \$ |
| Totals | \$51,513,800 |

Project Funding: SFY 2002

Provide the estimated project cost by funding source.

| | | | |
|------------------------|---------------|-------|-----------------|
| State Funds..... | \$ 5,151,380 | 10.00 | % of total cost |
| Federal Funds | \$ 46,362,420 | 90.00 | % of total cost |
| Local Gov. Funds | \$ | | % of total cost |
| Private Funds | \$ | | % of total cost |
| Other Funds | \$ | | % of total cost |
| Total Cost: | \$ 51,513,800 | 100% | % of total cost |

How much of the cost would be incurred by your agency from normal operating budgets (staff, equipment, etc.)?\$ 0.00 0%

How much of the cost would be paid by "requested IT project funding"? ..\$ 5,151,380 10.00%

Provide the estimated project cost by fiscal year: FY2002 \$ 760,384

FY2003 \$ 0.00**

FY2004 \$ 0.00**

*** SFY 2002 federal funds include \$46,362,420 Title XIX dollars.**

****Technology is an on-going expense to avoid federal sanctions and to allow us to meet federal and state requirements. Funding for SFY 2003 and future years will be submitted annually.**

ROI Financial Worksheet Directions (Attach Written Detail as Requested):

Annual Pre-Project Cost -- Quantify, in written detail, all actual State government direct and indirect costs (personnel, support, equipment, etc.) associated with the activity, system or process prior to project implementation. This section should be completed only if State government costs are expected to be reduced as a result of project implementation.

- N/A – We will use Cost Avoidance & Dollar Matching.

Annual Post-Project Cost -- Quantify, in written detail, all estimated State government direct and indirect costs associated with activity, system or process after project implementation. This section should be completed only if State government costs are expected to be reduced as a result of project implementation.

- N/A – We will use Cost Avoidance & Dollar Matching.

State Government Benefit -- Subtract the total “Annual Post-Project Cost” from the total “Annual Pre-Project Cost.” This section should be completed only if State government costs are expected to be reduced as a result of project implementation.

- N/A – We will use Cost Avoidance & Dollar Matching.

Citizen Benefit -- Quantify, in written detail the estimated annual value of the project to Iowa citizens. This includes the “hard cost” value of avoiding expenses (hidden taxes) related to conducting business with State government. These expenses may be of a personal or business nature. They could be related to transportation, the time expended on or waiting for the manual processing of governmental paperwork such as licenses or applications, taking time off work, mailing, or other similar expenses.

- Citizen Benefit, although present, is not quantifiable.

Opportunity Value/Risk or Loss Avoidance Benefit -- Quantify, in written details the estimated annual benefit to Iowa citizens or to State government. This could include such items as qualifying for additional matching funds, avoiding the loss of matching funds, avoiding program penalties/sanctions or interest charges, avoiding risks to health/security/safety, avoiding the consequences of not complying with State or federal laws, providing enhanced services, avoiding the consequences of not complying with enterprise technology standards, etc.

- See Section 1 – Proposal Summary – Project Benefits.

Total Annual Project Benefit -- Add the values of all annual benefit categories.

- See ROI Financial Worksheet.

Total Annual Project Cost -- Quantify, in written detail, the estimated annual new cost necessary to implement and maintain the project including consulting fees, equipment retirement, ongoing expenses (i.e. labor, etc.), other technology (hardware, software and development), and any other specifically identifiable project related expense. In general, to calculate the annual hardware cost, divide the hardware and associated costs by three (3), the useful life. In general, to calculate the annual software cost, divide the software and associated costs by four (4), the useful life. This may require assigning consulting fees to hardware cost or to software cost. A different useful life may be used if it can be documented.

- See Section 3 – Project Budget.

Benefit / Cost Ratio – Divide the “Total Annual Project Benefit” by the “Total Annual Project Cost.” If the resulting figure is greater than one (1.00), then the annual project benefits exceed the annual project cost. If the resulting figure is less than one (1.00), then the annual project benefits are less than the annual project cost.

- See ROI Financial Worksheet.

ROI -- Subtract the “Total Annual Project Cost” from the “Total Annual Project Benefit” and divide by the amount of the project funds requested.

- See ROI Financial Worksheet.

Benefits Not Cost Related or Quantifiable -- List the project benefits and articulate, in written detail, why they (IT innovation, unique system application, utilization of new technology, hidden taxes, improving the quality of life, reducing the government hassle factor, meeting a strategic goal, etc.) are not cost related or quantifiable. Rate the importance of these benefits on a “1 – 10” basis, with “10” being of highest importance. Check the “Benefits Not Cost Related or Quantifiable” box in the applicable row.

- See Section 1, Proposal Summary, Project Benefits – All are a level 10.

ROI Financial Worksheet

SFY 2001

| Annual Pre-Project Cost - How You Perform The Function(s) Now | |
|--|--------------------------|
| FTE Cost (salary plus benefits): | — |
| Support Cost (i.e. office supplies, telephone, pagers, travel, etc.): | — |
| Other Cost (expense items other than FTEs & support costs, i.e. indirect costs if applicable, etc.): | — |
| A. Total Annual Pre-Project Cost: | N/A |
| Annual Post-Project Cost – How You Propose to Perform the Function(s) | |
| FTE Cost: | — |
| Support Cost (i.e. office supplies, telephone, pagers, travel, etc.): | — |
| Other Cost (expense items other than FTEs & support costs, i.e. indirect costs if applicable, etc.): | — |
| B. Total Annual Post-Project Cost: | N/A |
| State Government Benefit (= A-B): | N/A |
| Annual Benefit Summary | |
| State Government Benefit: | — |
| Citizen Benefit (including quantifiable “hidden taxes”): | — |
| Opportunity Value and Risk/Loss Avoidance Benefit:* | \$5,600,000,000 |
| C. Total Annual Project Benefit: | \$5,600,000,000 |
| D. Total Annual Project Cost: | \$5,151,380 |
| Benefit / Cost Ratio (C / D): | <u>1087.087</u> |
| ROI (C – D / Project Funds Requested): | <u>108,708.7%</u> |
| <input type="checkbox"/> Benefits Not Cost Related or Quantifiable (including non-quantifiable “hidden taxes”) | |

- Avoidance benefit includes \$5,600,000,000 potential Medicaid related losses.